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## **CHINA EVERBRIGHT WATER LIMITED**

**中國光大水務有限公司**

*(Incorporated in Bermuda with limited liability)*

(Hong Kong Stock Code: 1857)

(Singapore Stock Code: U9E)

### **RESPONSES TO QUESTIONS RECEIVED FROM SHAREHOLDERS AND THE SECURITIES INVESTORS ASSOCIATION (SINGAPORE)**

China Everbright Water Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) would like to thank all the shareholders of the Company (the “**Shareholders**”) who submitted their questions in advance of the Company’s Annual General Meeting (the “**AGM**”) which will be held at PARKROYAL on Beach Road, Grand Ballroom 1 & 2, Level 1, 7500 Beach Road, Singapore 199591 on Wednesday, 22 April 2026 at 9:30 a.m. (Singapore time).

The Company’s responses to the questions received from Shareholders are set out in Section A.

The Company has also received questions from the Securities Investors Association (Singapore) (“**SIAS**”) ahead of the AGM. The Company’s responses to the questions received from the SIAS are set out in Section B.

## **SECTION A: RESPONSES TO QUESTIONS RECEIVED FROM SHAREHOLDERS**

- 1. As at 31 December 2025, there were HK\$7.337 billion in the Group's trade receivables, with an HK\$0.886 billion impairment representing approximately 12.1% of the original trade receivables (page 246 of 2025 Annual Report). Can the management of the Company (the "Management") explain in more detail why approximately 12.1% of the trade receivables were impaired and not recoverable?**

### **The Company's responses to Question 1:**

The expected credit loss allowance is calculated using a provision matrix established based on the Group's historical repayment, loss patterns for different groups of customers and ageing of trade receivables in accordance with International Financial Reporting Standard 9. It represents a reasonable estimate of credit losses rather than actual definite irrecoverable losses. The Management has categorised trade receivables into different groups based on the customers' risk characteristics and assessed the corresponding expected credit loss rates for each group. The allowance rate of 12.1% is the overall weighted average expected credit loss rate of all groups of trade receivables. Despite the recognition of allowance for expected credit losses, there have been no write-offs of trade receivables in the past few years.

- 2. Despite the Management's efforts in recovering trade receivables from customers, trade receivables have continued to rise year after year, standing at HK\$6.451 billion as of 31 December 2025 after impairment. This is a significant risk and amount. Can the Management share what additional efforts the Company will take in recovering overdue payments from customers in 2026?**

### **The Company's responses to Question 2:**

Please see the Company's responses to Question 2(iii) under Section B of this announcement.

## SECTION B: RESPONSES TO QUESTIONS RECEIVED FROM SIAS

1. For the financial year ended 31 December 2025 (“FY2025”), revenue declined by 22% to HK\$5.36 billion from HK\$6.85 billion, while gross profit decreased by 10% to HK\$2.36 billion. Profit attributable to equity holders of the Company fell by 17% to HK\$842 million.

As disclosed in Note 5 (page 215 of 2025 Annual Report – Revenue), the decline was primarily driven by a significant reduction in construction service revenue, which declined by nearly 60% from HK\$2.65 billion to HK\$1.09 billion, the lowest level in the past few years.

### 5. REVENUE

### 5. 收入

		Year ended 31 December 截至12月31日止年度	
		2025 2025年 HK\$'000 千港元	2024 2024年 HK\$'000 千港元
<b>Revenue from contracts with customers</b>	<b>客戶合約收入</b>		
Construction service revenue from service concession arrangements	服務特許經營權安排的建造服務收入	1,088,540	2,646,298
Operation income from service concession arrangements	服務特許經營權安排的運營收入	2,967,743	2,820,981
Sales of machineries and technical service income	設備銷售及技術服務收入	195,687	287,628
		<b>4,251,970</b>	<b>5,754,907</b>

(Source: 2025 Annual Report; emphasis added)

- (i) Can the Management explain the key drivers of this decline, including whether it reflects project timing, execution issues or a deliberate strategic shift away from new plant construction?**
- (ii) Separately, the Group returned value-added tax (the “VAT”) refunds received in 2022 amounting to HK\$77.4 million and incurred late payment charges of HK\$44.8 million. What was the underlying cause of this reversal and late payment charges, and could the Management clarify whether this indicates any gaps in tax compliance processes or judgement?**
- (iii) How is the Group leveraging artificial intelligence to improve operational efficiency, cost control and project execution capabilities, and what measurable benefits have been realised to date?**

**The Company’s responses to Question 1(i):**

The construction service revenue of the Company in 2025 decreased as compared with 2024, mainly due to the decline in the number of projects under construction, as well as lower construction activity and investment scale compared with 2024. Such decrease was driven by the following three factors:

- (a) Industry development changes: The water industry has shifted from a phase of “business expansion” to one of “quality and efficiency enhancement”, characterised by the optimisation of existing assets and more refined operations and management. As a result, the number of large-scale new projects in the market that meet the Company’s return requirements has decreased;
- (b) Business model optimisation: In recent years, the Company has been actively expanding asset-light businesses such as operation and management and technical services. Such models involve lower capital occupation and shorter payback periods, helping to improve overall asset turnover efficiency; and
- (c) Promoting steady development: The Company adheres to the investment principles of “maintaining prudent financial management” and “selecting high-quality projects”, exercises reasonable control over investment risks and maintains steady and sustainable high-quality growth.

### **The Company’s responses to Question 1(ii):**

In 2022, the Group received VAT refunds (the “**2022 VAT refunds**”) from the local tax bureaus following a change in the VAT incentive policies (the “**2022 VAT incentive policies**”). At the request of the tax bureaus, the Group has returned the 2022 VAT refunds and paid late payment charges in 2025 after consulting with the external legal and tax consultants<sup>1</sup>. The 2022 VAT incentive policies were only introduced by the Chinese government authorities at the end of 2021 and there were different interpretations on those tax policies. No gaps on the Group’s tax compliance processes were identified.

<sup>1</sup> Please refer to note 6 to the financial statements for FY2025 (page 217 of 2025 Annual Report) for more details.

### **The Company’s responses to Question 1(iii):**

Since 2018, the Group has established a specialised “Intelligent Water” team to promote the implementation of a number of “Intelligent Water” applications and equipment across its water plants, continuously enhancing operational efficiency, cost control and project execution capabilities. Details are as follows:

- (a) Supported by the development of intelligent capabilities, the Group deployed a range of practical artificial intelligence applications such as artificial intelligence-driven visual inspections. These initiatives effectively strengthened automation, improved operational efficiency and reduced reliance on manual labour and material consumption, further aligning refined management, intelligent production and performance optimisation; and
- (b) The Group has launched and advanced research projects on various topics, including intelligent inspection and the “intelligent waste water treatment plants”. Machine learning technologies are used to detect anomalies, and an expert system with voice interaction capabilities has been developed to report system performance and respond to operators’ technical queries, thereby improving operational efficiency and management standards.

2. In Note 23 (page 250 of 2025 Annual Report – Trade and Other Receivables), gross trade receivables increased by 20% to HK\$7.3 billion despite a 22% drop in revenue in FY2025. The ageing profile indicates a material proportion of receivables that are significantly past due.

Collective assessments

集體評估

		Current 即期	Past due within 1 year 逾期一年內	Past due more than 1 year but within 2 years 逾期超過 一年但於 兩年內	Past due more than 2 years but within 3 years 逾期超過 兩年但於 三年內	Past due more than 3 years but within 4 years 逾期超過 三年但於 四年內	Past due over 4 years 逾期四年 以上	Total 總額
<b>31 December 2025:</b>	2025年12月31日							
Expected loss rate	預計虧損率	1.6%	4.0%	8.4%	20.4%	41.8%	100.0%	11.9%
Gross carrying amount (HK\$'000)	賬面總值 (千港元)	1,267,611	3,099,623	1,527,452	728,972	410,603	277,095	7,311,356
Impairment (HK\$'000)	減值 (千港元)	20,694	125,394	128,640	148,746	171,829	277,095	872,398
<b>31 December 2024:</b>	2024年12月31日							
Expected loss rate	預計虧損率	2.4%	3.5%	11.2%	28.6%	79.1%	100.0%	12.8%
Gross carrying amount (HK\$'000)	賬面總值 (千港元)	783,831	3,037,210	1,262,487	581,941	294,863	111,646	6,071,978
Impairment (HK\$'000)	減值 (千港元)	18,679	107,202	140,980	166,386	233,370	111,646	778,263

(Source: 2025 Annual Report; emphasis added)

At the same time, the expected credit loss rates applied to long-outstanding receivables have been reduced.

- (i) Can the audit committee of the Company explain the rationale for reducing the expected loss rates for receivables past due by more than 2 years but within 3 years from 28.6% to 20.4%, and for those past due by more than 3 years but within 4 years from 79.1% to 41.8%?

**Notwithstanding the measures outlined by the Management to improve collections, trade receivables have continued to increase. The Management’s responses include:**

- Optimising the management mechanism**
  - Categorising trade receivables and implementing measures to maximise collections**
  - Strengthening liquidity management**
  - Incorporating trade receivables into performance assessment mechanism**
  - Adopting multiple measures to broaden payment collection channels**
- (ii) What is the average collection period, and how has this trended over the past three to five years? Are there any signs of structural deterioration in payment behaviour?**
- (iii) What additional action is the board of directors of the Company (the “Board”) considering to address the build-up in receivables, including tighter credit controls, renegotiation of payment terms, or a more disciplined approach to project selection and customer exposure?**

**The Company’s responses to Question 2(i):**

The Group’s trade receivables are primarily due from local government authorities. In accordance with International Financial Reporting Standard 9, the Group has established a provision matrix that is based on the Group’s historical repayment and loss patterns for different groups of customers, and ageing of trade receivables. The expected loss rates shown in the above table extracted from page 250 of 2025 Annual Report represent only the weighted average expected credit loss rates derived from the combination of these different groups of trade receivables that were assessed on a collective basis. If taking into account the impairment on trade receivables that were assessed on an individual basis, the overall expected credit loss rate for trade receivables as at 31 December 2025 was 12.1%. There was no significant change comparing to 12.8% that of as at 31 December 2024. Despite the recognition of allowance for expected credit losses, there have been no write-offs of trade receivables in the past few years.

**The Company's responses to Question 2(ii):**

Over the past 5 years (2021-2025), the Company's average trade receivables collection period was approximately 250 days (representing the turnover days calculated based on the financial report), with annual collection rates of 84%, 72%, 73%, 79%, and 81%, respectively. Since 2022, the collection rate has shown a trend of recovery and stabilisation. Amid a stabilising and improving macroeconomic environment in China, the government's fiscal capacity is expected to strengthen in tandem.

**The Company's responses to Question 2(iii):**

The Company attaches great importance to the collection of trade receivables and regards it as a top priority. In 2025, it implemented various measures to strengthen the management of trade receivables, including maintaining detailed tracking of trade receivables for each project, regularly holding specialised meetings, carrying out regular analysis of trade receivables, and formulating working plans and collection strategies. It also adopted targeted strategies for different types of receivables – enhancing collection follow-ups, resolving disputes through negotiation, and pursuing legal action where necessary – while improving liquidity management and utilising financial instruments to accelerate cash inflows. Additionally, accountability systems with both incentives and penalties were introduced, alongside diversified collection channels. The details of these measures are set out on pages 39 to 40 of 2025 Annual Report.

The year 2026 marks a critical year for achieving breakthroughs. The relevant departments and commissions of the Chinese government, together with local governments, have coordinated efforts to intensively roll out and implement relevant policies, embedding them into performance evaluation mechanisms. This demonstrates the Chinese government's strong commitment to debt resolution and the improvement of supporting mechanisms. This presents a significant policy-driven opportunity for public utility sectors such as water services. The Company will firmly seize this opportunity, closely align with local policy requirements, and adopt multiple measures to facilitate the timely availability of government funds, with a view to overcoming bottlenecks in the collection of trade receivables.

In 2026, the Company will continue to reinforce the implementation of existing measures, and will adopt the following measures to enhance the collection of overdue trade receivables:

- (i) The Company will guide the project companies to adjust the “one plant, one policy” settlement strategy in a timely manner based on actual circumstances. For the trade receivables with long ageing periods and significant amounts, in addition to the regular follow-up mechanisms, the Company will strengthen its efforts by adopting a combination of measures, including government negotiations, litigation, collaborations with other asset platforms, and buyback arrangements, to accelerate the collection of trade receivables and enhance the efficiency of collection;
- (ii) The Company will comprehensively employ diversified approaches such as financial instruments, settlement of debt by assets, and debt-to-equity swaps to establish a trade receivables management mechanism, so as to achieve an organic integration of short-term focused efforts and long-term governance, and broaden collection channels through multiple measures;

- (iii) The Company will continue to improve the long-term trade receivables management framework – comprising dedicated teams, detailed account tracking, performance assessment and incentives – while maintaining weekly and monthly summaries of trade receivables data with dynamic early warning, and strengthening control throughout the entire cycle; and
- (iv) The Company will hold regular dedicated meetings on trade receivables to address collection challenges, conduct in-depth root cause analysis, and work towards achieving its annual collection targets.

In addition, the Company continues to implement measures to control the scale of new trade receivables, focusing on market expansion and investment management. In terms of regional deployment, the Company leverages key regions such as the Beijing-Tianjin-Hebei region, the Yangtze River Delta and the Guangdong-Hong Kong-Macao Greater Bay Area, and concentrates on major cities such as Beijing, Shanghai, Guangzhou, Shenzhen, Hong Kong and Macao, with a focus on selecting high-quality projects. In respect of business model, the Company extends towards the front end of the industry chain, actively expanding “To B” (business-to-business) operations while serving government customers, so as to optimise revenue structure and enhance risk resilience capacity. Prior to investing in new projects, the Company strengthens risk assessment of trade receivables through in-depth due diligence on water volume, fiscal conditions and funding availability, and reasonably estimates the collection period based on actual circumstances. Meanwhile, the Company will continue to optimise its project review and investment management mechanisms, reinforcing full-process risk control covering pre-investment, during-investment and post-investment stages, thereby strictly controlling the scale of new trade receivables from the source.

3. According to SGX StockFacts, the Company trades at a price-to-book of less than 0.3 times. The market capitalisation is SGD650 million while the 5-year average dividend yield was 8.3%. The price-earnings ratio is less than 5 times.

**China Everbright (U9E)**

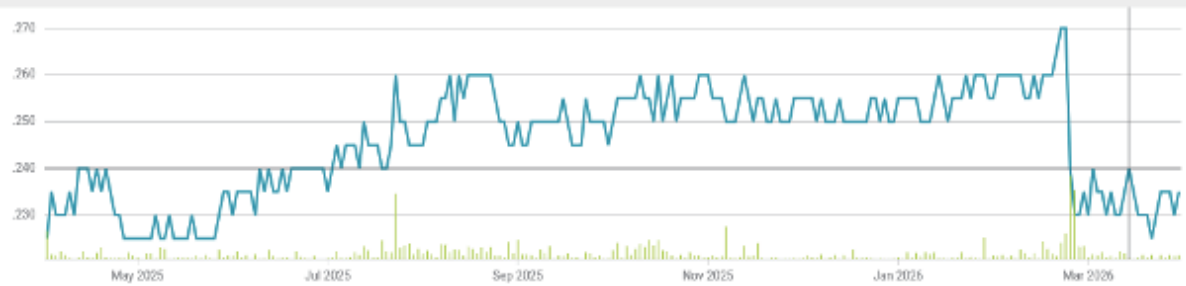
Industry: Utilities, Utilities - Regulated Water

▼ **0.230**

-0.005 (2.128%)

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**Prices & Chart** Company Announcements Financial Statements Corporate Actions Market Updates Market Dialog



Overview Valuation Financials Dividends Ownership

Price/Book Value ⓘ	0.294	Enterprise Value ⓘ	SGD 3.15B
Price/Sales ⓘ	0.745	Price/CF ⓘ	3.552
Dividend Yield (%) ⓘ	8.740	P/E Ratio ⓘ	4.74
Dividend Yield 5-yr avg (%) ⓘ	8.320	Net Debt ⓘ	HKD 15.08B
5 Years PE Ratio	3.79		-

(Source: <https://investors.sgx.com/market/securities?code=U9E&type=stocks&lang=en>)

**Stock exchanges and regulators worldwide, including Tokyo Stock Exchange (TSE) and Korea’s Financial Services Commission (FSC), have been pushing for improved corporate valuations. The Review Group formed by the Monetary Authority of Singapore (MAS) has introduced measures to strengthen the equity market, focusing on improving liquidity and fair valuation for listed companies.**

- (i) What has been the total shareholder return (the “TSR”) over the past 5, 10, 15 and 20 years? Has the Board tracked the TSR and is it satisfied with the Company’s performance?**
- (ii) What concrete actions is the Board, particularly the independent non-executive directors of the Company, taking to address the valuation discount? Have options such as share buybacks, special dividends or a broader strategic review been formally evaluated?**

**The Company’s responses to Questions 3(i) and 3(ii):**

The Company has been listed on Singapore Exchange Securities Trading Limited since 2014 and subsequently on The Stock Exchange of Hong Kong Limited since 2019. Following its listings, the Board has been monitoring the Company’s share performance by closely tracking some key metrics.

The Company remains committed to enhancing its valuation and creating sustainable shareholder value. Under the guidance of the Board, the Company has adopted the following strategies and will reinforce the implementation of existing initiatives to further enhance shareholder value:

- (a) Implementing a reasonable dividend plan**

The Company remains committed to sharing its operational success with the Shareholders by implementing a reasonable dividend distribution plan based on its operational and financial performance, thereby ensuring that the Shareholders’ interests are effectively safeguarded.

The Company is committed to maintaining the stability of its dividend distribution policy. Since 2015, the Company’s dividend payout ratio has increased year by year, and has been maintained at above 30% since 2021, demonstrating the Company’s consistency and stability in returning value to the Shareholders. In 2025, the Company’s proposed final dividend per share was HK4.22 cents (equivalent to 0.69 Singapore cents (“**Sing cent(s)**”)), and the total dividend per share for the full year was HK10.31 cents (equivalent to 1.68 Sing cents). The full-year dividend payout ratio was 35%, representing an increase of 1.6 percentage points compared to 2024.

(b) Strengthening its business operations

The Company has consistently adhered to prudent operations, focusing on steady and dedicated development, continuously strengthening its business fundamentals, and emphasising the stability of long-term value. The Company will continue to steadily enhance its intrinsic value through solid and disciplined operations. The Company believes that, as its fundamentals continue to strengthen, its share price will ultimately reflect its intrinsic value.

(c) Maintaining investor engagement and enhancing communication with investors

The Company periodically organises site visits to its projects in the Chinese Mainland for its investors and welcomes its investors from various regions to participate in such site visits. The Management and the investor relations team also actively engage in investor forums and strategy conferences hosted by investment banks and securities firms, thereby strengthening communication with investors.

The Singapore government has announced a series of measures designed to bolster Singapore's equity market. The Company will closely monitor these developments of relevant initiatives, prudently assess their impact on the implementation of its strategies, and proactively leverage relevant opportunities in a timely manner to support its growth and enhance shareholder value.

In addition, the Company will maintain clear and timely communication with the investor community, providing regular updates on financial performance, strategic initiatives, and market developments. Transparent and consistent engagement helps investors understand the Company's growth trajectory, which supports a fair valuation in the market.

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By Order of the Board  
**China Everbright Water Limited**  
**Kwan Yun Fui**

*Legal Counsel and Joint Company Secretary*

Hong Kong and Singapore, 16 April 2026

*As at the date of this announcement, the Board comprises: (i) a non-executive director, namely Mr. Luan Zusheng (Chairman); (ii) an executive director, namely Mr. Xiong Jianping (Chief Executive Officer); and (iii) four independent non-executive directors, namely Ms. Hao Gang, Mr. Ng Joo Hee Peter, Mr. Soh Kok Leong and Ms. Chan Pui Shan Sandy.*